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SUBJECT: COLOMBIA'S AMAZON REGION: A RIVER RUNS THROUGH IT,  
BUT CAN AN ECONOMY?

11. SUMMARY. The economy of Amazonas Department, which borders Brazil and Peru, contributes less than .05 percent to Colombia's GDP. Local experts tell us that the Department's limited infrastructure and prevalence of protected areas -- there are only 25 miles of paved roads in the department and the GOC has designated 95 percent of the Amazonas as national park or indigenous territory -- prevent it from developing an industrial or manufacturing sector. The urban economy of the Amazonas is based upon small-scale retail businesses, GOC employment, tourism and fish exports, with all economic activity centered in the capital of Leticia. The GOC is banking on ecotourism as the anchor for increased development and employment. However, not all locals desire ramped-up economic activity, and regional authorities made clear that they will not jeopardize the integrity of the Department's 26 indigenous communities to promote any sector. END SUMMARY.

Isolated By Rivers And A Jungle  
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12. The Amazonas Department in Colombia's southeast corner has 48,000 inhabitants (2005 statistics), with 53 percent living in the capital Leticia and Puerto Narino, both located on the 116-kilometer slice of the Amazon River that flows through Colombian territory. It is one of Colombia's most under-populated departments, ranking 30 out of 33. Despite comprising 10 percent of continental Colombia and 23 percent of Colombia's Amazon Basin, the Department enjoys merely 25 miles of paved roads. (NOTE: The GOC defines Colombia's Amazon Basin as 10 departments: Amazonas, Caqueta, Guainia, Guaviare, Vaupes, and segments of Cauca, Meta, Narino, Putamayo and Vichada. END NOTE.) That lack of infrastructure inherently limits the Department's economic activity, which is centered in Leticia on the border with Brazil. The President of the Amazonas Chamber of Commerce (ACOC), Arturo Santos, told us that the Amazonas economy is nascent, due to lack of infrastructure ties with the rest of continental Colombia and its dependency on river transportation. There is a road connecting Leticia to Tabatinga, Brazil, as the cities share an open border, but the road in Tabatinga meets jungle after 12 miles. Santos said there are six weekly Bogota-Leticia cargo flights, but because of the high cost of airfare goods primarily enter/depart Leticia via two routes: cargo ships from Cartagena that sail to the mouth of the Amazon in Brazil and upriver to Leticia; or truck transport from Bogota to Putamayo, with goods then shipped via river to Leticia.

Commercial Vs. Subsistence Livelihoods  
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13. Commercial activity in the Amazonas, which Santos said amounted to .01 percent of total Colombian GDP in 2006, exists in Leticia and Puerto Narino. Local experts told us that rural populations -- especially the forty percent of

indigenous who have subsistence livelihoods based on fishing and logging -- have few cultivation practices or other economic activity, and are heavily dependent on GOC financial assistance. Haroldo Gomez, the deputy to the Amazonas Governor, said a GOC economic priority is agricultural development within the rural areas of Amazonas. However, he was unable to identify specific products with market potential. Given poor soil conditions and the high costs of bringing goods to market, non-subsistence agricultural potential is limited to only the most targeted niche products or to meet local tourist needs. Unemployment in Amazonas is high -- estimated between 25 and 28 percent -- but Gomez said those figures are misleading as many inhabitants have subsistence livelihoods and are not technically looking for work. Santos added that many, if not most, indigenous communities live subsistence lifestyles by choice.

#### The Foundation Of The Urban Amazonas Economy

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14. Small-Scale Retail. The Deputy Director of the GOC's Amazon Research Institute (SINCHI), Daniel Fonseca, said retail stores of final consumption goods (packaged food, electrical appliances, clothes, motorcycles, etc.) account for 65 percent of the economic activity within Leticia, the heart of the Department's economy. He added that Leticia has only two factories -- a beverage and energy plant -- and that the movement of imported goods sustains the Amazonas economy.

Santos said transportation costs prevent the Amazonas from having an industrial sector, adding that retail stores

comprise 70 percent of the 800 member companies of the ACOC. Product sales to GOC officials and to inhabitants in towns such as Tabatinga, Brazil, and Iquitos, Peru, where prices for goods are higher, enable the survival of the high number of small businesses. Aside from some companies in the financial sector, the Decameron Hotel and the airlines, the remaining businesses in the Amazonas are small, independently owned operations.

15. Government Employment. The GOC -- federal and regional branch offices, as well as the military -- is the second largest employer in the Amazonas. Its officials support the small-scale retail stores, and the GOC is the principal source of professional employment in the region. Santos said government jobs are coveted in Leticia and Puerto Narino, which are the only two cities with a federal presence, and that acquiring such positions requires personal ties more than a sound professional background. Gomez agreed that neither Leticia nor Puerto Narino could exist without government employment. He said the strong GOC presence results from the high number of indigenous communities -- which require management of federal preference programs -- and the city's proximity to neighboring countries. Both the Colombian Army and Navy have bases in Leticia, although local experts agreed that diplomatic disputes rarely trickle down to the area.

16. Tourism Continues To Grow. Tourism, especially ecotourism, is the primary potential growth sector. The Manager of AeroRepublica, Javier Delgado, told us that in 2008 AeroRepublica began offering twice-daily flights from Bogota to Leticia during the December-January holiday season, as tourist travel had greatly increased over the past few years. (NOTE: AeroRepublica is a Colombian carrier that offers daily service into Leticia. Satena, a smaller Colombian carrier, has flights three times a week. END NOTE.)

Delgado said 75 percent of tourists to Leticia are Colombian, with 25 percent traveling from overseas. Leticia received 12,000 tourists during the first half of 2008, compared to 13,900 during the entire year of 2003. Representatives from the Governor's Office told us they were taking steps -- developing strategies to increase international tourism, constructing a convention center, outreaching to indigenous communities about the economic potential of tourism -- to make it the long-term driver of Leticia's economy.

17. Exports of Fish, Fruit and Artisan Goods. Fishing products are the primary Amazonas export. According to the Colombian Institute for Rural Development (INCODER), Leticia exported 2,500 tons of fish to other parts of Colombia during the first half of 2008, an 8 percent increase over 2007. Santos said the majority of fishermen are from Brazil and Peru, as few live within the urban areas of the Amazonas, but that Colombians serve as middle-men for foreign products shipped to Bogota. Fishermen from neighboring countries prefer to export out of Leticia because Bogota is the nearest major urban city -- with Manaos being second -- and because Leticia has the best cold storage facilities. The ACOC is also striving to develop export industries of unique Amazonian fruits and artisan products, noting that transportation costs will still prevent the products from having a major impact on the area's economic landscape.

#### Contributions To Broader Economy Minimal

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18. Amazonas contributes less than .05 percent to Colombia's GDP. Forty percent of Amazonas inhabitants are indigenous, with ninety-five percent of the Department's territory federally designated as indigenous reserve, forest reserve or protected area. Gomez indicated that this land factor severely limits Amazonas's economic contribution, but explained that the principal role of the region is to preserve Colombia's environmental and cultural legacy, a role that may well benefit Colombia economically in the future. He added that Amazonas Governor Felix Acosta is most concerned with promoting sustainable development in the Department's 26 indigenous communities. Specifically, he is working toward the incorporation of environmentally sound cultivation practices in order to limit extractive activities. The Governor believes that sustainable preservation of indigenous communities should be the GOC economic priority, followed by tourism and environmental research.

#### Comment: Can Colombia Balance Economic Growth With Environmental/Cultural Integrity?

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19. With 25 miles of paved roads, surrounded by dense jungle, and sitting 1200 kilometers from Bogota, it is clear that the Amazonas will never be an economic hub. This isolation has certain benefits, as residents told us that guerrilla activity and drug trafficking have been traditionally minimal due to the distances and inhospitable conditions in the interior. However, given its strategic geopolitical location and vast unemployment, the GOC is looking for means to incorporate the region more into the economic mainstream. Tourism is the sector with the most potential to generate low-impact growth, and the Colombian Amazon should continue to attract increasing numbers of travelers if overall security conditions in the country remain stable. However, not all local communities have embraced its benefits, noting that creating jobs and growth while maintaining cultural and environmental integrity is a careful balancing act, and one that Colombia has not historically managed with aplomb.

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